March 2021

International Accounting Standards Board

Request for Information

Third Agenda Consultation

Comments to be received by 27 September 2021

IASB®

IFRS®

Request for Information

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Request for Information *Third Agenda Consultation* is published by the International Accounting Standards Board (Board) for comment only. Comments need to be received by **27 September 2021** and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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Foreword by Hans Hoogervorst, Chairman of the IASB®

Help us shape financial reporting for the future

The covid-19 pandemic is affecting us all. Yet, the financial reporting community continues to work together to bring transparency, accountability and efficiency to financial markets. An important part of our work is understanding how to best serve our stakeholders and the public interest, so we are seeking your views on what we should prioritise from 2022 to 2026.

The last two agenda consultations provided valuable input that helped improve financial reporting globally. Over the past decade, we completed projects that our stakeholders identified as priorities—we introduced new major IFRS® Standards on financial instruments, revenue, leases and insurance contracts and we revised the *Conceptual Framework for Financial Reporting*. We also made progress on our Better Communication in Financial Reporting projects, increased our work to support consistent application of the Standards and responded swiftly to urgent issues.

So, after two decades of work, what next?

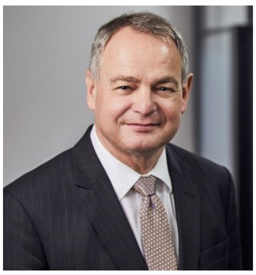
Some of the IASB's capacity until 2026 will be filled by completing its current projects and undertaking the required post-implementation reviews of the new financial instruments, revenue and leases Standards.

Given the trend towards digitalisation of financial reports and the growth in private equity investments, we have been asked to increase our efforts to develop the IFRS Taxonomy and the *IFRS for SMEs*® Standard. We have also been asked to improve financial reporting requirements on intangibles and climate-related risks, to take on projects that comprehensively address application questions and to make our Standards easier to understand. However, this agenda consultation provides an opportunity for everybody to share their views on the priorities of our activities and new projects for our work plan.

In parallel with this agenda consultation, the Trustees of the IFRS Foundation are considering a potential expansion of the Foundation's role through the possible creation of a new board to set sustainability reporting standards. I encourage you to follow and engage with their work.

While it will be for my successor Andreas Barckow to lead the delivery of the IASB's next five-year plan, I urge you to share your views as you have done before. Your feedback is important input to the IASB and will help shape the future of financial reporting.

We look forward to receiving your comments.



Hans Hoogervorst
IASB Chairman

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Request for Information
Third Agenda Consultation

March 2021

Introduction

Objective of this Request for Information

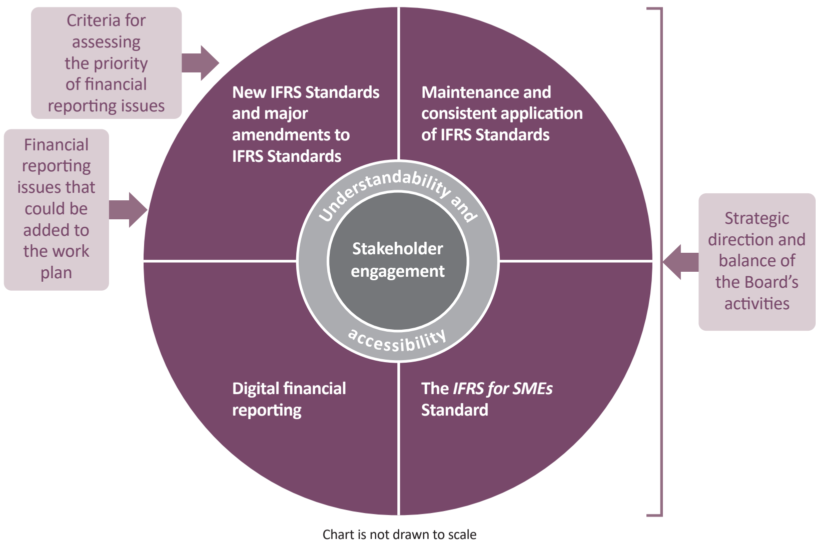
1 The International Accounting Standards Board (Board) undertakes a public consultation on its activities and its work plan every five years (agenda consultation). The objective of this agenda consultation is to gather views on:

(a) the strategic direction and balance of the Board's activities;

(b) the criteria for assessing the priority of financial reporting issues that could be added to the work plan; and

(c) new financial reporting issues that could be given priority in the Board's work plan.

Diagram 1—An overview of this agenda consultation



How will responses to this Request for Information help the Board?

2 Responses to this Request for Information will help shape the Board's thinking when determining how to prioritise its activities and new projects in its work plan for 2022 to 2026. This agenda consultation focuses on activities within the current scope of the Board's work—financial statements and management commentary for profit-oriented companies.

This agenda consultation focuses on the current scope of the Board's work—financial statements and management commentary for profit-oriented companies

Separate review of structure and effectiveness

3 The Trustees of the IFRS Foundation (Trustees) are assessing the future strategy for the Foundation through their five-yearly review of structure and effectiveness. As part of that review, the Trustees are considering whether to establish a new board to set sustainability reporting standards. The Trustees intend to make a final determination in advance of the November 2021 United Nations COP26 conference.[1]

4 The Trustees' review is different from this agenda consultation. This agenda consultation is about the priority of each activity in the current scope of the Board's work, whereas the Trustees' review is exploring a potential expansion of the Foundation's role into setting sustainability reporting standards. Therefore, this agenda consultation does not seek feedback on issues related to sustainability reporting, except to the extent that those issues relate to the current scope of the Board's work.

5 To the extent applicable to the Board, the decisions of the Trustees on their review of the Foundation's strategy will be considered in finalising the Board's activities and work plan for 2022 to 2026. For example, if decisions from the Trustees' review identify the need for capacity from the Board to support any interaction between the work of the Board and any new sustainability standards board, such a need will be considered in finalising the Board's priorities for 2022 to 2026.

Structure of this Request for Information

6 This Request for Information provides an overview of:

(a) the Board's activities;

(b) the criteria for assessing the priority of financial reporting issues that could be added to the work plan; and

(c) financial reporting issues that could be added to the Board's work plan.

7 Further information to help you respond to this Request for Information is provided in:

(a) Appendix A, which summarises the Board's work plan as of March 2021;

1 To stay up to date with the latest developments on the Trustees' review, see: https://www.ifrs.org/projects/work-plan/sustainability-reporting/.

(b) Appendix B, which describes frequently suggested financial reporting issues; and

(c) Appendix C, which lists other financial reporting issues suggested to the Board.

Questions for respondents

8 The Board has discussed the matters in this Request for Information.[2] The Board has not, however, reached a view on its activities and work plan for 2022 to 2026.

> Your feedback will help shape the Board's thinking when determining how to prioritise its activities and new projects in its work plan for 2022 to 2026

9 The Board invites comments on all matters in this Request for Information. You need not comment on all of the questions and you are encouraged to comment on any other matters relevant to this consultation.

10 The Board will consider all comments received in writing by 27 September 2021.

2 To access agenda papers and summaries from discussions by the International Accounting Standards Board (Board) and to stay up to date with the latest developments on this agenda consultation, see: https://www.ifrs.org/projects/work-plan/2020-agenda-consultation/.

Question 1—Strategic direction and balance of the Board's activities

The Board's main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the *IFRS for SMEs* Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

(b) Should the Board undertake any other activities within the current scope of its work?

Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

(a) Do you think the Board has identified the right criteria to use? Why or why not?

(b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Question 3—Financial reporting issues that could be added to the Board's work plan
Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan.
(a) What priority would you give each of the potential projects described in Appendix B — high, medium or low — considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
(b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
(i) the nature of the issue; and
(ii) why you think the issue is important.

Question 4—Other comments
Do you have any other comments on the Board's activities and work plan? Appendix A provides a summary of the Board's current work plan.

How to comment

11 Please submit your comments electronically:

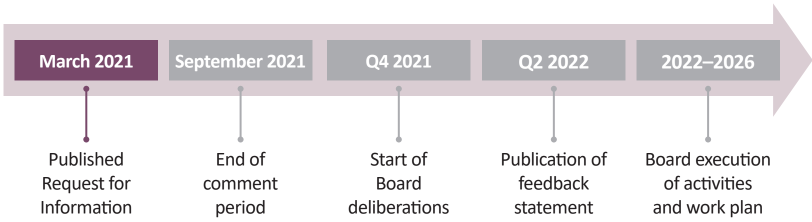
Online	https://www.ifrs.org/projects/open-for-comment/
By email	commentletters@ifrs.org

12 Your comments will be on public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

Next steps

13 The Board expects to start discussing feedback on this Request for Information at public meetings in the final quarter of 2021. In the second quarter of 2022, the Board expects to publish a feedback statement summarising that feedback and its 2022 to 2026 activities and work plan.

Diagram 2—Project timeline



Strategic direction and balance of the Board's activities

14 The Board's main activities are:[3]

(a) developing new IFRS Standards and major amendments to IFRS Standards;

(b) maintaining IFRS Standards and supporting their consistent application;

(c) developing and maintaining the *IFRS for SMEs* Standard;

(d) supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;

(e) improving the understandability and accessibility of the Standards; and

(f) engaging with stakeholders.

15 All of the Board's activities are integrated to some degree; however, the activities relating to the understandability and accessibility of the Standards and to stakeholder engagement affect all aspects of the Board's work. Diagram 3 illustrates the Board's main activities—please note that this diagram is not drawn to scale.

3 Throughout this Request for Information, references to the Board's activities or capacity relate to the technical resources of the IFRS Foundation, including the Board and technical staff.

Diagram 3—An illustration of the Board's activities

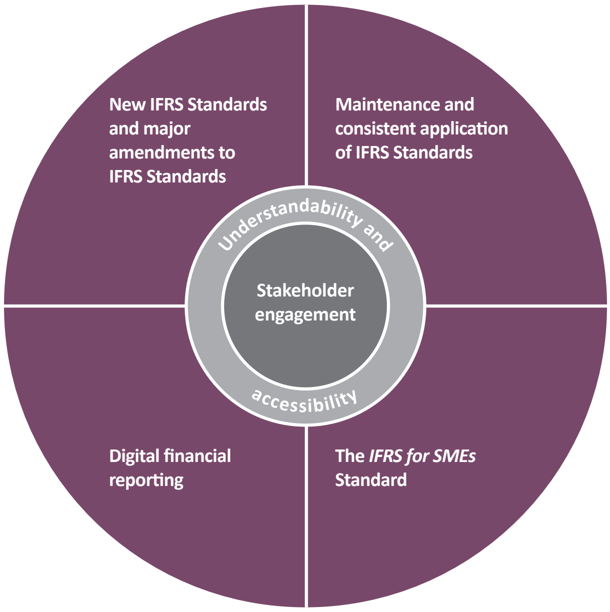


Chart is not drawn to scale

16 This Request for Information seeks your feedback on the overall balance of our main activities—that is, whether the Board should increase, leave unchanged or decrease its current level of focus on each activity. To help you provide feedback, Table 1 includes:

(a) a summary of each main activity, including an indication of the Board's current level of focus on the activity. The level of focus has been determined using estimates of the resources allocated to each main activity over the past three years.

(b) descriptions of what the Board believes it could do if it were to increase its level of focus on each main activity. The descriptions of what the Board could do are examples and therefore do not constitute an exhaustive list. An increased level of focus on an activity does not necessarily mean that the Board will pursue all of the listed work.

17 The Board is of the view that its current level of resources will remain substantially unchanged from 2022 to 2026. In the Board's view, the current level of resources is appropriate and sufficient to deliver timely improvements to financial reporting. If the Board were to significantly increase its resources and therefore its activities, stakeholders might have insufficient capacity to engage with the Board, provide high-quality feedback on proposals or implement changes that result from those proposals.

18 Therefore, an increase in the allocation of resources to one activity would mean that fewer resources would be available for other activities. For example, an increase in the resources allocated to activities that support the maintenance and consistent application of IFRS Standards might lead to a reduction in the number of new research and standard-setting projects the Board can take on.

> Increasing the resources allocated to one activity will mean that fewer resources are available for other activities

Table 1—The Board's main activities

New IFRS Standards and major amendments to IFRS Standards	
Objective: Research issues and, if appropriate, develop major new financial reporting requirements **Current level of focus:** 40%–45%	
What the Board currently does	**Examples of what more the Board could do**
The Board develops new IFRS Standards and major amendments to IFRS Standards through research and standard-setting projects (see Appendix A for the current projects). The Board also undertakes post-implementation reviews of new IFRS Standards and major amendments to IFRS Standards. The objective of a post-implementation review is to assess the effects of a new Standard or major amendment to a Standard on investors, companies and auditors after the requirements have been widely applied for some time.[4] The Board has started the required post-implementation review of (a) the classification and measurement requirements in IFRS 9 *Financial Instruments*, and (b) IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*. Between 2022 and 2026, the Board intends to conduct the required post-implementation reviews of the impairment and hedge accounting requirements in IFRS 9, and the requirements in IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.	The Board could take on new projects to address financial reporting issues (see paragraphs 24–28).

4 Throughout this Request for Information, the term 'investors' refers to primary users of financial statements, defined in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) as existing and potential investors, lenders and other creditors, while the term 'companies' refers to entities that report applying IFRS Standards or the *IFRS for SMEs* Standard.

<table>
<tr><th colspan="2">Maintenance and consistent application of IFRS Standards</th></tr>
<tr><td colspan="2">Objective: Help stakeholders obtain a common understanding of financial reporting requirements

Current level of focus: 15%–20%</td></tr>
<tr><td>What the Board currently does</td><td>Examples of what more the Board could do</td></tr>
<tr><td>Together with the Interpretations Committee (Committee), the Board maintains and supports the consistent application of IFRS Standards as a single set of high-quality global Standards by:

monitoring the consistent application of IFRS Standards;
developing narrow-scope amendments to, and interpretations of, IFRS Standards;
publishing agenda decisions that improve consistency in the application of IFRS Standards;
using transition resource groups to support the implementation of new IFRS Standards;
providing educational materials such as webinars, webcasts and articles; and
supporting regulators and national standard-setters in their role to support consistent application of IFRS Standards.
</td><td>Within the context of addressing application questions with widespread effect, and considering the Board’s role as standard-setter in supporting consistent application of IFRS Standards, the Board could:

work more with investors, companies, auditors, regulators and others to identify challenges in applying the Standards.
address those application challenges by:

providing more support for consistent application of IFRS Standards through agenda decisions published by the Committee, narrow-scope amendments to, and interpretations of, IFRS Standards.
providing more educational materials and initiatives on the application of IFRS Standards to support high-quality and consistent application of those Standards by companies, auditors, regulators and national standard-setters. Such materials and initiatives could relate to increased capacity-building efforts to support emerging economies, jurisdictions that have recently adopted IFRS Standards or jurisdictions that are planning to adopt IFRS Standards.

</td></tr>
</table>

The *IFRS for SMEs* Standard	
Objective: Provide financial reporting requirements tailored for companies that do not have public accountability (SMEs) **Current level of focus:** 5%	
What the Board currently does	**Examples of what more the Board could do**
Together with the SME Implementation Group (SMEIG), the Board: • develops and maintains the *IFRS for SMEs* Standard by undertaking a comprehensive review of the Standard no sooner than two years after the effective date of amendments from the previous review. Such a review may result in amendments to requirements in the *IFRS for SMEs* Standard. • publishes educational materials, such as SMEIG Q&As that respond to application questions on the *IFRS for SMEs* Standard, and modules—with explanations, self-assessment questions and case studies—on each section of the Standard to support understanding and use of the Standard.	The Board could: • work with auditors, national standard-setters and regulators to support consistent application of the *IFRS for SMEs* Standard. • provide more educational materials and programmes to support the understanding and use of the *IFRS for SMEs* Standard, including for micro-sized entities that are not publicly accountable. • work more with national standard-setters and other bodies to increase global adoption of the *IFRS for SMEs* Standard.

Digital financial reporting	
Objective: Facilitate the digital consumption of financial information **Current level of focus:** 5%	
What the Board currently does	**Examples of what more the Board could do**
The Board develops and maintains the IFRS Taxonomy, which facilitates the effective and efficient electronic communication and analysis of financial reports prepared applying the Standards (IFRS Standards and the *IFRS for SMEs* Standard) and IFRS Practice Statement 1 *Management Commentary*. These activities include: • updating the IFRS Taxonomy to reflect new or amended requirements in IFRS Standards, the *IFRS for SMEs* Standard and IFRS Practice Statement 1; • updating the IFRS Taxonomy to reflect common reporting practice that is consistent with the requirements of IFRS Standards; and • publishing educational materials to support companies, regulators and others who use the IFRS Taxonomy.	The Board could: • explore how advances in technology are changing the way investors consume information and assess the extent to which improvements are needed to the IFRS Taxonomy and the way in which the Board writes the Standards. • work more with regulators and other bodies to increase global adoption of the IFRS Taxonomy. This work would support the transparency, accountability and efficiency of financial markets given the trend towards digital financial reporting. • work more with companies, regulators, auditors, investors, data aggregators and others to improve the quality of electronic data and consistency in application of the IFRS Taxonomy. • provide more educational materials and programmes to support the understanding and use of the IFRS Taxonomy.

<table>
<tr><th colspan="2">Understandability and accessibility of the Standards</th></tr>
<tr><td colspan="2">Objective: Improve the understandability and accessibility of our financial reporting requirements

Current level of focus: 5%</td></tr>
<tr><td>What the Board currently does</td><td>Examples of what more the Board could do</td></tr>
<tr><td colspan="2">Understandability</td></tr>
<tr><td>In undertaking its activities, the Board focuses on understandability by:
reducing unnecessary complexity so the Standards are less onerous and costly for companies to apply, while improving the quality of information provided to investors.
drafting clear Standards. The Board does this through the involvement of editorial and translation teams and external reviewers.
developing supporting materials such as snapshots, project summaries, feedback statements and Board member articles.</td><td>A 2017 survey report on the reputation of the IFRS Foundation identified stakeholders’ need for simple, practical and workable Standards.[5] To respond comprehensively to such needs, the Board could:
create an inventory of possible areas of unnecessary complexity in applying financial reporting requirements, and assess whether improvements can be made to those areas.
improve the understandability of the Standards in those areas by undertaking projects that:
amend existing requirements to reduce unnecessary complexity.
make changes to the way in which Standards are drafted so that Standards are more clearly articulated and consistent terminology and structure are used. This approach could be applied to amend existing Standards or to develop new Standards.</td></tr>
<tr><td colspan="2">Accessibility</td></tr>
<tr><td>The Board also strives to make the Standards and related materials accessible. The Board does so, for example, by:
publishing Annotated IFRS Standards (IFRS Standards with annotations and cross-references to other materials);
publishing semi-annual compilations of Committee agenda decisions; and
providing tools to make IFRS Standards and other materials easier to navigate.</td><td>The Board could further improve accessibility by using technology and other tools to help stakeholders find materials that are most relevant to them, and understand how those materials relate to each other.</td></tr>
</table>

5 See *Perceptions of the IFRS Foundation—Reputation Research Findings*, published in July 2017, at: https://www.ifrs.org/-/media/feature/groups/trustees/ifrs-reputation-research-report-jul-2017.pdf?la=en.

Stakeholder engagement	
Objective: Obtain views to support the development of high-quality financial reporting requirements and promote acceptance of the Standards **Current level of focus:** 20%–25%	
What the Board currently does	**Examples of what more the Board could do**
The Board engages with stakeholders affected by the Standards through: • general and project-specific meetings with stakeholders from various backgrounds and regions. These engagements include meetings with the Board's advisory bodies and consultative groups, external events and conferences, project outreach, the IFRS Foundation annual conference and the World Standard-setters conference.[6] • materials that support meetings with stakeholders and dedicated stakeholder content on the IFRS website. • comments letters received from stakeholders in response to formal consultation documents.	The Board could: • increase engagement with a broader range of stakeholders through standing consultative groups, informal dialogue and events. • increase engagement on formal consultations by further exploring, and using, digital-friendly approaches, such as surveys to supplement the comment letter process. • arrange more investor-focused educational materials and initiatives to increase investor engagement across the Board's activities.

6 For more information on the Board's advisory bodies and consultative groups, see: https://www.ifrs.org/about-us/consultative-bodies/.

Questions for respondents

Question 1
The Board's main activities include: • developing new IFRS Standards and major amendments to IFRS Standards; • maintaining IFRS Standards and supporting their consistent application; • developing and maintaining the *IFRS for SMEs* Standard; • supporting digital financial reporting by developing and maintaining the IFRS Taxonomy; • improving the understandability and accessibility of the Standards; and • engaging with stakeholders. Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities. (a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes. (b) Should the Board undertake any other activities within the current scope of its work?

Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

19 The Board adds new projects to its work plan when projects already on the work plan are near completion. The Board intends to continue prioritising the completion of projects on its current work plan because:

(a) stakeholders have previously identified these projects as priorities;

(b) re-prioritising projects could lead to inefficient starts and stops; and

(c) some projects, such as post-implementation reviews, are required by the Board's due process.[7]

20 Appendix A summarises the Board's current projects as of March 2021.

> We developed our current work plan by listening to stakeholders' priorities, so we will continue to prioritise those projects

7 The Board's due process is outlined in the *Due Process Handbook*, available here: https://cdn.ifrs.org/-/media/feature/about-us/legal-and-governance/constitution-docs/due-process-handbook-2020.pdf?la=en.

21 The Board evaluates a potential project for inclusion in its work plan primarily by assessing whether the project will meet investors' needs, while taking into account the costs of producing the information. Table 2 lists the criteria the Board currently considers when deciding whether to add a potential project to its work plan.

Table 2—The Board's proposed criteria

The Board considers seven criteria in deciding whether to add a potential project to its work plan	
1	The importance of the matter to investors
2	Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports
3	The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others
4	How pervasive or acute the matter is likely to be for companies
5	The potential project's interaction with other projects on the work plan
6	The complexity and feasibility of the potential project and its solutions
7	The capacity of the Board and its stakeholders to make timely progress on the potential project

22 Determining the priority of potential projects that could be added to the work plan requires judgement. The relative importance of a criterion is likely to vary depending on the circumstances surrounding the potential project.

23 The criteria in Table 2 are the primary consideration for determining the priority of projects to be added to the Board's work plan, but the Board also considers the work streams of other major standard-setters.

Questions for respondents

Question 2

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

(a) Do you think the Board has identified the right criteria to use? Why or why not?

(b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Financial reporting issues that could be added to the Board's work plan

24 This Request for Information seeks your feedback on which financial reporting issues the Board could add to its work plan for 2022 to 2026 that would result in new IFRS Standards or major amendments to IFRS Standards.

Potential projects

25 In preparing for this agenda consultation, the Board conducted outreach (mainly with its advisory bodies and standing consultative groups) to identify potential projects to describe in this Request for Information. The Board's objective in describing potential projects is to provide a common understanding of the financial reporting issues that could be addressed in a potential project to elicit more focused feedback. Descriptions of these potential projects are included in Appendix B. Appendix C lists financial reporting issues suggested by only a few stakeholders—these issues are not described in detail in this Request for Information. The list of potential projects is not intended to be exhaustive and does not represent a draft work plan for the Board. You are welcome to suggest other financial reporting issues for the Board to explore.

The list of potential projects is not exhaustive and does not represent a draft work plan for the Board. You are welcome to suggest other financial reporting issues for the Board to explore.

Remaining research pipeline projects

26 Table 3 lists the remaining research pipeline projects that arose from the 2015 Agenda Consultation. These projects are also described in Appendix B. The Board would like your feedback on whether these projects are still a priority. These projects were not started because of the need to devote resources to other projects, including:

(a) projects not originally on the work plan for 2016 to 2021, such as:

  (i) time-sensitive projects on amendments to IFRS 17 *Insurance Contracts* and amendments resulting from IBOR Reform and its Effects on Financial Reporting; and

  (ii) a revised IFRS Practice Statement 1;

(b) amending IFRS 16 in response to urgent issues arising from the covid-19 pandemic; and

(c) maintaining momentum on other major projects.

Table 3—Research pipeline projects

Research pipeline projects	
1	Discontinued operations and disposal groups (Post-implementation Review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*)
2	Inflation (High Inflation: Scope of IAS 29 *Financial Reporting in Hyperinflationary Economies*)
3	Pollutant pricing mechanisms
4	Variable and contingent consideration

Capacity indicators

27 Information about the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 may help you in responding to this Request for Information. If the current level of focus on activities related to new IFRS Standards and major amendments to IFRS Standards remains unchanged (see paragraphs 14–18), the Board expects to be able to start two to three large projects, or four to five medium-sized projects, or seven to eight small projects (or an equivalent combination of large, medium and small projects), after setting aside capacity to:[8]

(a) continue projects already on its work plan as described in Appendix A, assuming that all the research and standard-setting projects will result in new IFRS Standards or major amendments to IFRS Standards. If the Board decides to expand the scope of any current project—for example, by undertaking a wider-scope Equity Method research project that fundamentally reviews the equity method of accounting, or a comprehensive review of disclosure requirements in IFRS Standards applying the proposed new approach to developing and drafting disclosure requirements being explored and tested in the Disclosure Initiative—Targeted Standards-level Review of Disclosures project—less capacity would be available to add potential new projects to the work plan.

(b) conduct the required post-implementation reviews of IFRS 9, IFRS 15 and IFRS 16.

(c) undertake some time-sensitive projects that may arise after this agenda consultation—for example, possible follow-on projects from the required post-implementation reviews, if those projects are determined to be priorities.

28 Projects focusing on the financial reporting issues described in Appendix B could vary in size. To help you provide feedback, each project described in Appendix B that would result in new IFRS Standards or major amendments to IFRS Standards includes an estimate of its size.

8 See paragraphs 3–5 for information about capacity in relation to any new sustainability standards board.

Questions for respondents

Question 3
Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan. (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority. (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain: (i) the nature of the issue; and (ii) why you think the issue is important.

Question 4
Do you have any other comments on the Board's activities and work plan? Appendix A provides a summary of the Board's current work plan.

Appendix A—The Board's work plan as of March 2021

A1 This appendix summarises the active projects on the Board's work plan as of March 2021. The work plan includes:

(a) projects that could result in new IFRS Standards or major amendments to IFRS Standards. These are:

(i) research projects that gather evidence about the problem to be solved and assess whether a feasible solution can be found before the Board starts a standard-setting or maintenance project; and

(ii) standard-setting projects that develop a new Standard or substantially amend an existing Standard.

(b) projects on the maintenance and consistent application of IFRS Standards. These projects address application questions about IFRS Standards. Such projects involve the Board or the Committee developing narrow-scope amendments to, and interpretations of, IFRS Standards.

A2 As described in paragraph 19, the Board intends to continue prioritising the completion of projects on its work plan.

A3 Further information on the Board's work plan is available at https://www.ifrs.org/projects/work-plan/.

Table 4—Work plan projects as of March 2021

Project	Description
Research projects	
Business Combinations under Common Control	Business combinations under common control are mergers and acquisitions involving companies within the same group. No IFRS Standard specifically applies to how the company that receives the transferred business (the receiving company) should account for the combination. This lack of guidance has resulted in diversity in practice. In addition, companies often provide insufficient information about these combinations. The objective of this project is to explore whether the Board can develop requirements that would improve the comparability and transparency of reporting by the receiving company in a business combination under common control. The Board published a Discussion Paper setting out its preliminary views in November 2020 with a comment deadline of 1 September 2021.

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Project	Description
Dynamic Risk Management	Many companies use hedging to manage exposure to financial risks such as changes in foreign exchange rates, interest rates or commodity prices. However, companies manage those risks 'dynamically'—for example, the hedged position frequently changes as new financial assets and liabilities are added and others mature over time. Companies sometimes struggle to reflect their risk management adequately in their financial statements, so investors cannot easily understand the effects of hedging on a company's financial position and future cash flows. The objective of this project is to explore whether the Board can develop an approach that would enable investors to understand a bank's dynamic management of interest rate risk and evaluate the effectiveness of those activities. The Board has developed a core accounting model which it is discussing with stakeholders before determining how to proceed.
Equity Method	IFRS Standards require investors with significant influence over an investee, or joint control of a joint venture, to apply the equity method. Stakeholders have reported problems in applying the equity method of accounting set out in IAS 28 *Investments in Associates and Joint Ventures* in investors' financial statements. The objective of this project is to assess whether these application problems can be addressed by identifying and explaining the principles of IAS 28. The Board is conducting outreach on the equity method concurrently with its consultation activities on the post-implementation review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.
Extractive Activities	Extractive activities consist of exploring for, evaluating, developing and producing natural resources such as minerals, oil and gas. Companies use various accounting models to report the resources and expenditures associated with these activities. IFRS 6 *Exploration for and Evaluation of Mineral Resources*, an interim Standard, allows companies adopting IFRS Standards to continue to apply some aspects of their previous accounting policies for exploration and evaluation expenditures until the Board reviews the accounting practices of companies engaged in extractive activities. The objective of this project is to gather evidence for the Board to decide whether to amend or replace IFRS 6, and the scope of such a project.

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Project	Description
Goodwill and Impairment	As part of the post-implementation review of IFRS 3 *Business Combinations*, stakeholders raised concerns about the accounting for acquisitions, including that investors receive insufficient information about acquisitions and their subsequent performance. The objective of this project is to improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make. To achieve this objective, the Board is exploring whether improvements can be made to the disclosures companies provide about the performance of acquisitions and whether to change how a company accounts for goodwill subsequent to acquisition, including whether to reintroduce amortisation of goodwill. The Board published a Discussion Paper setting out its preliminary views in March 2020, and is considering the feedback on that document.
Pension Benefits that Depend on Asset Returns	The objective of this project is to explore whether the Board could feasibly develop targeted amendments to how companies determine the ultimate cost of pension benefits that vary with the returns of a defined pool of assets, applying IAS 19 *Employee Benefits*.
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	The Board developed IFRS 10, IFRS 11 and IFRS 12 to provide a single basis for consolidation and robust requirements for a company applying that basis to assess control, improve the accounting for joint arrangements and provide enhanced disclosure requirements for consolidated and unconsolidated structured companies. The objective of this post-implementation review is to assess the effects of these Standards on investors, companies and auditors after the requirements have been widely applied for some time. The Board published a Request for Information in December 2020 with a comment deadline of 10 May 2021.

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Project	Description
Post-implementation Review of IFRS 9—Classification and Measurement	IFRS 9 *Financial Instruments* includes requirements for classifying and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. When developing IFRS 9, the Board divided the project into three phases—classification and measurement, impairment and hedge accounting. The Board also decided to divide the post-implementation review of the Standard into phases, starting with the review of the classification and measurement requirements. The objective of this post-implementation review is to assess the effects of this aspect of IFRS 9 on investors, companies and auditors after the requirements have been widely applied for some time.
Second Comprehensive Review of the *IFRS for SMEs* Standard	The Board is carrying out its periodic comprehensive review of the *IFRS for SMEs* Standard. As a first step, the Board published a Request for Information in January 2020 to seek views on whether and how aligning the *IFRS for SMEs* Standard with IFRS Standards would benefit investors, without causing undue cost for companies applying the *IFRS for SMEs* Standard. The Board is considering feedback on that document. If the Board were to identify possible amendments to the *IFRS for SMEs* Standard, it would publish an Exposure Draft inviting comments on proposed changes to the Standard.
Standards-setting projects	
Disclosure Initiative—Subsidiaries that are SMEs	When a parent company applies IFRS Standards in preparing its consolidated financial statements, its subsidiaries also apply IFRS Standards when reporting to the parent for consolidation purposes. However, for their own financial statements, those subsidiaries may find it costly to apply all the disclosure requirements in IFRS Standards, which are designed for publicly accountable companies. The objective of this project is to develop an IFRS Standard that permits subsidiaries that do not have public accountability to apply IFRS Standards with reduced disclosure requirements. The Board expects to publish an Exposure Draft in the third quarter of 2021.

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Project	Description
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Stakeholders have expressed concerns about the usefulness of disclosures provided in financial statements. The objective of this project is to improve the usefulness of disclosures for investors by improving the way the Board develops and drafts disclosure requirements in IFRS Standards. The Board has developed draft guidance for itself to use when developing and drafting disclosure requirements in future (proposed approach) and is testing that approach by applying it to the disclosure sections of IFRS 13 *Fair Value Measurement* and IAS 19. After testing on IFRS 13 and IAS 19, the Board will decide whether, and how, to use the proposed approach in its future standard-setting activities—that is, activities to amend the disclosure sections of other IFRS Standards or to develop a disclosure section for a new IFRS Standard. The Board published an Exposure Draft in March 2021 with a comment deadline of 21 October 2021.
Financial Instruments with Characteristics of Equity	IAS 32 *Financial Instruments: Presentation* does not always provide a clear rationale for its classification requirements and presents challenges in determining whether to classify some complex financial instruments as financial liabilities or equities. These challenges have resulted in diversity in practice. The objective of this project is to address those challenges by clarifying some underlying principles in IAS 32 and adding application guidance to facilitate consistent application of those principles. The Board is also exploring whether to develop additional presentation and disclosure requirements to help investors understand the effects that financial instruments have on a company's financial position and financial performance.
Management Commentary	Since the Board issued IFRS Practice Statement 1 *Management Commentary* (Practice Statement) in 2010, narrative reporting has evolved. Demand has increased for information about intangible resources, environmental, social and governance matters, and matters affecting a company's long-term prospects. The objective of this project is to revise the Practice Statement to help companies prepare management commentary that better meets the information needs of investors. The Practice Statement would remain principle-based so a company could meet some of those investor information needs by applying industry- or topic-specific guidance published by other bodies. The Board expects to publish an Exposure Draft in April 2021.

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Project	Description
Primary Financial Statements	Investors have expressed concerns about the comparability and transparency of performance reporting. The objective of this project is to improve the way information is communicated in the financial statements, with a focus on information included in the statement of profit or loss. The Board has developed proposals that would require companies to present new defined subtotals in the statement of profit or loss, disaggregate information in a better way and disclose information about some management-defined performance measures. The Board published an Exposure Draft in December 2019 and is considering the feedback on that document.
Rate-regulated Activities	Some companies are subject to rate regulation that determines the amount of compensation to which a company is entitled for goods or services supplied in a period. Such rate regulation can cause differences in timing when part of that compensation is included in the regulated rates charged to customers, and hence in revenue, in a period other than the period in which the company supplies the goods or services. The objective of this project is to develop requirements for companies to provide information about the effects of those differences in timing on their financial position and financial performance. That information would supplement the information companies currently provide by applying IFRS 15 *Revenue from Contracts with Customers* and other IFRS Standards, and provide investors with a clearer and more complete picture of the relationship between the revenue and expenses of those companies. The Board published an Exposure Draft in January 2021 with a comment deadline of 30 July 2021.
Maintenance projects	
Availability of a Refund	The objective of this project is to clarify how a company determines the economic benefits available in the form of a refund when other parties, such as trustees have rights to make particular decisions about the company's defined benefit plan. The Board published an Exposure Draft in June 2015 setting out its proposals to amend IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The Board has decided not to finalise those proposed amendments to IFRIC 14 and is considering whether to develop new proposals to address the matter.

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Project	Description
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The objective of this project is to amend the requirements in IAS 12 *Income Taxes* to clarify how a company accounts for deferred tax on transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The Board expects to issue final amendments in May 2021.
Lack of Exchangeability	IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies the exchange rate to use in reporting foreign currency transactions when exchangeability is temporarily lacking. However, there are no specific requirements on the exchange rate to use in other situations in which exchangeability is lacking, which has resulted in diversity in reporting practices. The objective of this project is to specify requirements for companies to determine whether a currency is exchangeable and if it is not exchangeable, the exchange rate to use. The Board expects to publish an Exposure Draft in April 2021.
Lease Liability in a Sale and Leaseback	Sale and leaseback transactions occur when a company sells an asset and leases that same asset back from the new owner. IFRS 16 *Leases* includes requirements for accounting for sale and leaseback transactions at the time those transactions take place; however, the Standard does not specify how to measure the lease liability when reporting after that date. The objective of this project is to improve the sale and leaseback requirements in IFRS 16 by providing greater clarity for the company selling and leasing back an asset both at the date of the transaction and subsequently. The Board published an Exposure Draft in November 2020, and is considering the feedback on that document.
Provisions—Targeted Improvements	The objective of this project is to develop proposals for three targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. These improvements would align the requirements for identifying liabilities in IAS 37 with the *Conceptual Framework for Financial Reporting*, clarify which costs to include in measuring a provision and specify whether the discount rates a company uses should reflect that company's own credit risk.

Appendix B—Descriptions of frequently suggested financial reporting issues

B1 As discussed in paragraphs 24–28, this appendix describes financial reporting issues (potential projects) that were suggested to the Board during outreach conducted to help prepare this Request for Information.

B2 Feedback from this outreach generally indicates that few gaps remain in IFRS Standards. However, stakeholders have identified opportunities to comprehensively address application questions in some areas.

B3 This appendix:

(a) does not provide an exhaustive list of potential projects. You are welcome to suggest other financial reporting issues for the Board to explore.

(b) is not a draft work plan for the Board. The Board has limited capacity to take on new projects, so it can add only a small number of projects to its work plan (see paragraphs 27–28).

(c) does not filter out suggested projects for which a standard-setting solution may be unnecessary or unworkable. For example, it does not filter out projects suggested because of non-compliance with requirements or inappropriate exercise of judgement, or projects for which the solution may undermine the principle-based nature of IFRS Standards.

B4 The scope of any project that would be added to the Board's work plan could differ from the scope of the potential projects described in this appendix.

B5 This appendix describes 22 potential projects, arranged in alphabetical order. Projects marked with an asterisk (*) are currently research pipeline projects (see paragraph 26).

Table 5—Financial reporting issues that could be addressed in a potential project

Potential project title			
1	Borrowing costs	2	Climate-related risks
3	Commodity transactions	4	Cryptocurrencies and related transactions
5	Discontinued operations and disposal groups*	6	Discount rates
7	Employee benefits	8	Expenses—Inventory and cost of sales
9	Foreign currencies	10	Going concern
11	Government grants	12	Income taxes
13	Inflation*	14	Intangible assets
15	Interim financial reporting	16	Negative interest rates
17	Operating segments	18	Other comprehensive income
19	Pollutant pricing mechanisms*	20	Separate financial statements
21	Statement of cash flows and related matters	22	Variable and contingent consideration*

Borrowing costs

B6 Some stakeholders perceive problems with the application of IAS 23 *Borrowing Costs*. These stakeholders said:

(a) the definition of borrowing costs may be outdated and incomplete. For example, interest expense on lease liabilities is explicitly mentioned, but other costs that may be considered borrowing costs are not. Stakeholders also said they do not understand which exchange differences arising from foreign currency borrowings should be included in capitalised borrowing costs.

(b) the definition of a qualifying asset in paragraph 5 of IAS 23 may be too restrictive—for example, in excluding borrowing costs incurred to construct goods for sale to customers, as discussed in the agenda decision published in March 2019.[9]

(c) challenges may arise in applying the Standard when a qualifying asset is funded from a pool of general borrowings because it may be difficult to determine the amount of the borrowing costs eligible for capitalisation and the appropriate capitalisation rate.

(d) borrowing costs capitalised by a subsidiary that borrows from its parent are required to be eliminated on consolidation. Eliminating such borrowing costs may be costly for preparers.

9 For this agenda decision, see: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-23-over-time-transfer-of-constructed-good-mar-19.pdf.

(e) the capitalisation of borrowing costs results in assets measured at different amounts depending on whether the company financed the construction of the asset using surplus funds or borrowed funds. Such variations may reduce comparability among companies.

Indicative size of the project

B7 To address these concerns, the Board could undertake:

(a) a targeted project to improve, clarify or simplify aspects of IAS 23 (likely to be a *small* project); or

(b) a comprehensive review of IAS 23 (likely to be a *medium-sized* project).

Climate-related risks

B8 The Trustees are considering whether to establish a new board to set sustainability reporting standards (see paragraphs 3–5). The Trustees' consideration of sustainability reporting is outside the scope of this agenda consultation.

B9 However, during outreach to develop this Request for Information, investors commented on information about climate-related risks that could result in a project within the current scope of the Board's work (see paragraph 2). These investors said:

(a) they need better qualitative and quantitative information about the effect of climate-related risks on the carrying amounts of assets and liabilities reported in the financial statements. The disclosures and information should be comparable and consistent.

(b) climate-related risks are often perceived as remote, long-term risks and may not be fully considered in areas of financial statements that require estimates of the future (for example, in testing assets for impairment).

B10 In November 2020, the IFRS Foundation published educational material on the effects of climate-related matters on financial statements.[10] This document explained how IFRS Standards require companies to consider climate-related matters when those matters have a material effect on the financial statements. The educational material complements a November 2019 article, *IFRS Standards and climate-related disclosures*.[11]

10 For Educational Material—*Effects of climate-related matters on financial statements prepared applying IFRS Standards*, see: https://cdn.ifrs.org/-/media/feature/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf?la=en.

11 For this article, see: https://cdn.ifrs.org/-/media/feature/news/2019/november/in-brief-climate-change-nick-anderson.pdf?la=en.

Indicative size of the project

B11 To address the concerns raised, the Board could:

(a) lower the threshold for disclosing information about sources of estimation uncertainty in paragraph 125 of IAS 1 *Presentation of Financial Statements*. Paragraph 125 of IAS 1 requires a company to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. A lower threshold for disclosing information about sources of estimation uncertainty—such as elimination of the reference to 'the next financial year'—could result in the disclosure of more information about climate-related risks than companies currently disclose and improve the information available to investors. Such a change would have a pervasive effect on the requirements in IFRS Standards beyond just climate-related risks (likely to be a *medium-sized* project).

(b) broaden the requirements in IAS 36 *Impairment of Assets* for cash flow projections to be used in measuring value in use when testing assets for impairment. Paragraph 33(b) of IAS 36 requires cash flow projections to cover a maximum period of five years, unless a longer period can be justified. This requirement may be misinterpreted as restricting the consideration of material, long-term climate-related effects on the value in use measurement (likely to be a *small* project).

(c) consider combining the projects described in (a) and (b) to create a single project (likely to be a *large* project).

(d) develop accounting requirements for various types of pollutant pricing mechanisms, as described in paragraphs B68–B71 (likely to be a *large* project).

Commodity transactions

B12 Commodities are held or used for various purposes and take a variety of forms (such as gold and other precious metals, oil, natural gas and agricultural produce). Stakeholders identified a range of transactions involving commodities and various reasons why companies enter into those transactions. Some stakeholders said:

(a) IFRS Standards lack or provide only limited specific requirements for some types of commodity transactions—for example, commodity loans discussed in the agenda decision published in March 2017.[12]

12 For this agenda decision, see: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-1-ias-2-ias-8-ias-39-ifrs-9-commodity-loans-march-2017.pdf.

(b) in the absence of a Standard that applies specifically to a transaction involving commodities, companies apply paragraphs 10 and 11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in developing an accounting policy for that transaction. These policies vary between companies, sometimes reflecting the differing circumstances of the companies. For example, to account for commodity loan transactions that involve gold, companies have developed accounting policies based on:

    (i) the requirements of IFRS 9 *Financial Instruments*;

    (ii) the requirements of IAS 2 *Inventories* and IFRS 15 *Revenue from Contracts with Customers*; or

    (iii) the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) to determine whether to recognise assets and liabilities.

Indicative size of the project

B13 To address these concerns, the Board could:

(a) develop requirements for some of the most common types of transactions involving commodities—for example, commodity loans (likely to be a *medium-sized* project).

(b) undertake a broader project on commodity transactions (likely to be a *large* project).

(c) develop a Standard to cover a range of non-financial tangible or intangible assets held solely for investment purposes (including some cryptocurrencies, commodities and emission allowances).[13,14] This project is likely to be a *large* project.

Cryptocurrencies and related transactions

B14 Stakeholders said cryptocurrencies are becoming more prevalent. In June 2019, the Committee published Agenda Decision *Holdings of Cryptocurrencies*.[15] However, many stakeholders raised further concerns, saying:

(a) the accounting required by IAS 38 *Intangible Assets* for cryptocurrencies may not provide useful information, because the economic characteristics of cryptocurrencies are similar to cash or other financial instruments, rather than to intangible assets.

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13 Cryptocurrencies and related transactions are described in paragraphs B14–B16 and emission allowances are described in paragraphs B68–B71 (pollutant pricing mechanisms).

14 IAS 40 *Investment Property* applies in the recognition, measurement and disclosure of investment property.

15 The Committee concluded that IAS 2 *Inventories* applies to cryptocurrencies when they are held for sale in the ordinary course of business. If IAS 2 is not applicable, a company applies IAS 38 *Intangible Assets* to holdings of cryptocurrencies.

(b) cryptocurrencies should be measured at fair value, but IAS 38 only permits fair value measurement in an active market and changes in fair value are recognised in other comprehensive income without subsequent recycling.

(c) the agenda decision may be too narrow in scope. Some stakeholders suggested that the Board develop educational materials or amend IFRS Standards to provide specific requirements for direct holdings of cryptocurrencies as well as other related transactions—for example, indirect holdings of cryptocurrencies or initial coin offerings.

Indicative size of the project

B15 To address these concerns, the Board could:

(a) develop educational materials, as part of its maintenance and consistent application activities.[16]

(b) make targeted amendments to IAS 38—for example:

(i) develop additional disclosure requirements in IAS 38 about the fair value of cryptocurrencies (likely to be a *small* project); or

(ii) permit more intangible assets (including cryptocurrencies) to be measured at fair value and consider whether recognising changes in fair value in the statement of profit or loss is appropriate in some circumstances (likely to be a *medium-sized* project).

(c) consider amending the scope of the Standards for financial instruments to include cryptocurrencies (likely to be a *medium-sized* project).

(d) develop a Standard to cover a range of non-financial tangible or intangible assets held solely for investment purposes (including some cryptocurrencies, commodities and emission allowances).[17,18] This project is likely to be a *large* project.

B16 Some national standard-setters and other professional bodies have already conducted work on cryptocurrencies and related transactions, which could inform the Board's work.

Discontinued operations and disposal groups

B17 Many stakeholders—most of them investors and accounting firms—expressed concerns about the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and the usefulness of information provided by companies applying that Standard. The Committee has discussed several

16 Educational materials are part of the Board's activities on maintenance and consistent application; therefore, we have not provided a project size estimation (see paragraph 27).

17 Commodity transactions are described in paragraphs B12–B13 and emission allowances are described in paragraphs B68–B71 (pollutant pricing mechanisms).

18 IAS 40 applies to the recognition, measurement and disclosure of investment property.

issues relating to the application of the Standard. In January 2016, the Committee published an agenda decision on issues related to IFRS 5 and concluded that the number and variety of unresolved issues might warrant a broad project on IFRS 5.[19] Some stakeholders said:

(a) they do not understand whether the Standard applies to:

 (i) particular types of planned loss-of-control events, besides loss of control through sale or distribution—for example, loss of control of a subsidiary because of dilution of the shares held by the parent;

 (ii) a disposal group that consists mainly, or entirely, of financial instruments; or

 (iii) some sales that require regulatory approvals.

(b) they do not understand some of the measurement requirements, including:

 (i) paragraph 15 of IFRS 5, which sets out measurement requirements for a disposal group, and paragraph 23 of IFRS 5, which requires the impairment loss recognised for a disposal group to be allocated to non-current assets in the disposal group; and

 (ii) whether an impairment loss previously allocated to goodwill in a disposal group can be reversed (paragraph 22 of IFRS 5).

(c) they do not understand some of the presentation requirements, including:

 (i) how to present intra-group transactions between continuing and discontinued operations;

 (ii) how to apply the presentation requirements in paragraph 28 of IFRS 5 when a disposal group—consisting of a subsidiary, and other non-current assets—ceases to be classified as held for sale; and

 (iii) how to apply the notion of 'separate major line of business or geographical area of operations' in the definition of 'discontinued operation' (see paragraph 32 of IFRS 5).

(d) the single line-item presentation of disposal groups or discontinued operations in the primary financial statements may not provide useful information. Investors said they needed more detailed information in the primary financial statements and better disclosures.[20]

19 This agenda decision is available at: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ifrs-5-january-2016-(2).pdf.

20 Statement of cash flows and related matters are described in paragraphs B76–B79.

B18 Many of these concerns were raised in the 2015 Agenda Consultation at which time the Board decided that a post-implementation review of IFRS 5 would be the most effective way to address them. However, the Board has not yet started that project (see paragraph 26).

Indicative size of the project

B19 To address these concerns, the Board could:

(a) reconsider the single line-item presentation and develop more effective disclosures (likely to be a *medium-sized* project); or

(b) undertake a comprehensive review to address all concerns (likely to be a *medium-sized* project).

Discount rates

B20 The time value of money is a core concept in finance. Present value measurement techniques apply this concept to link future amounts to a present amount using a discount rate. Present value measurement techniques require two main sets of inputs: an estimate of the amount, timing and uncertainty of future cash flows, and discount rates to translate those cash flows to an equivalent amount of cash held at the measurement date. However, IFRS Standards developed over the years have required that various inputs be reflected in such present values. Variations in inputs required by IFRS Standards mean that the permitted or required discount rates also vary. Comments received in previous agenda consultations and subsequently suggest that stakeholders often fail to understand the reasons why these discount rates vary.

B21 The Board has conducted research on discount rates in IFRS Standards and found that some of the variations in discount-rate requirements arise because measurement bases differ between IFRS Standards (for example, historical cost, fair value, value in use).[21] Other variations arise because IFRS Standards were developed at different times and focused on different areas. The Board uses the discount rate research findings in considering whether and how to resolve some differences as they arise on projects. For example, in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*, the Board proposed to allow the use of post-tax discount rates and post-tax cash flows to estimate value in use.[22]

Indicative size of the project

B22 A project to reconsider requirements in all IFRS Standards and, when appropriate, eliminate variations in present value measurement techniques is likely to be a *large* project.

21 See: https://cdn.ifrs.org/-/media/project/discount-rates/project-summary.pdf.

22 IAS 36 *Impairment of Assets* requires companies to estimate value in use on a pre-tax basis. Stakeholders have said that pre-tax discount rates are unobservable, so the test is usually performed on a post-tax basis.

Employee benefits

B23 Some stakeholders raised concerns about the accounting for employee benefits. These stakeholders said:

(a) they do not understand how to apply paragraph 83 of IAS 19 *Employee Benefits* to determine the rate used to discount post-employment benefit obligations in the absence of a deep market in high-quality corporate bonds. In the absence of a deep market in such bonds, IAS 19 requires companies to use market yields on government bonds instead.

(b) the requirements of IAS 19 do not deal effectively with post-employment benefit plans (for example, pension plans) with characteristics of both defined contribution and defined benefit plans (hybrid pension plans). Some stakeholders said that such plans are becoming prevalent in several jurisdictions, and accounting requirements need to reduce diversity in the classification and measurement of such plans.

B24 The Board has three projects relating to employee benefits on its work plan, as described in Appendix A:

(a) Disclosure Initiative—Targeted Standards-level Review of Disclosures;

(b) Pension Benefits that Depend on Asset Returns; and

(c) Availability of a Refund.

Indicative size of the project

B25 To address these concerns, the Board could:

(a) review the requirements in IAS 19 on the discount rates an entity uses in the absence of a deep market in high-quality corporate bonds (likely to be a *medium-sized* project);

(b) develop accounting requirements for hybrid pension plans (likely to be a *large* project); or

(c) undertake a comprehensive review of IAS 19 (likely to be a *large* project).

B26 Some national standard-setters and other professional bodies have already conducted research in this area, which could inform the Board's work. The Board could also build on its previous work in which it researched solutions to these problems.

Expenses—Inventory and cost of sales

B27 Some stakeholders, most of them standard-setters, raised concerns about aspects of the accounting for inventory and cost of sales.

B28 Some standard-setters said that after the implementation of IFRS 15, the Board should consider developing requirements on the other component of gross profit, that is, cost of sales (including cost of goods sold and the cost of providing services). These stakeholders suggested that, as part of this potential project, the Board should seek to improve the accounting for inventory and consider developing accounting requirements for areas for which they believe requirements are absent or insufficient, including:

(a) the recognition of variable consideration;[23]

(b) the timing of recognition of cost of sales (including cost of goods sold and the cost of providing services);

(c) the existence of a significant financing component;

(d) the definition of functional line items, including cost of sales;

(e) cost capitalisation, including industry-specific cost capitalisation requirements; and

(f) impairment of inventory.

B29 These stakeholders said that such a project would harmonise practices among industries and provide a common understanding of the components of cost of sales. However, other stakeholders questioned the feasibility of such a project and whether the benefits would justify the costs needed to implement any new requirements.

Indicative size of the project

B30 To address these concerns, the Board could undertake a comprehensive review of the accounting for inventory and cost of sales (likely to be a *large* project).[24]

Foreign currencies

B31 A few stakeholders called for a review of the requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and suggested that the Board consider:

(a) reviewing the factors used to determine a company's functional currency;

(b) clarifying the accounting for foreign currency derivatives within the scope of IAS 21;

(c) deciding whether the accounting requirements for long-term payables and receivables denominated in a foreign currency are appropriate when the currency is volatile and thinly traded;[25] and

(d) developing enhanced disclosures about the effect of changes in foreign exchange rates on the financial statements.

23 Variable and contingent consideration is described in paragraphs B80–B83.

24 IAS 2 prescribes the accounting treatment for inventories.

25 Paragraph 32 of IAS 21.

B32 The Board has one maintenance project to amend IAS 21 on its work plan—Lack of Exchangeability—as described in Appendix A.[26]

Indicative size of the project

B33 To address these concerns, the Board could undertake:

(a) a targeted project to improve aspects of IAS 21 (likely to be a *medium-sized* project); or

(b) a comprehensive review of IAS 21 (likely to be a *large* project).

B34 A national standard-setter has already conducted research in this area, which could inform the Board's work. The Board could also build on its previous work in which it had researched solutions to some of these issues.

Going concern

B35 Financial statements should be prepared on a going-concern basis unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so.[27] In adverse economic conditions or when a company is in financial distress, investors want to understand management's going-concern assessment. Some stakeholders said:

(a) current requirements on how management should assess the going-concern basis of preparation are insufficient. Some stakeholders suggested that more prescriptive requirements may improve application and enforcement.

(b) management's disclosures about going concern can sometimes be inadequate, boilerplate or not provided on a timely basis. For example:

(i) the threshold for providing information on material uncertainties about a company's ability to continue as a going concern may be too high;

(ii) requirements on the nature and extent of information that should be provided about material uncertainties may be insufficient; or

(iii) disclosures about the underlying risks and the expected mitigations of financial distress are sometimes insufficient to meet investor needs, particularly when management has plans to mitigate events or conditions that would otherwise cast significant doubt about a company's ability to continue as a going concern.

(c) IFRS Standards are silent about the basis on which financial statements should be prepared when the going-concern assumption is inappropriate.

26 For more information on the Lack of Exchangeability project, see: https://www.ifrs.org/projects/work-plan/lack-of-exchangeability-research/.

27 Paragraph 25 of IAS 1.

B36 The Committee and the Board discussed some of these matters. The Committee also published agenda decisions relating to disclosure requirements in July 2010 and July 2014.[28,29] In the July 2014 Agenda Decision, the Committee highlighted the interaction between the overarching disclosure principles in IAS 1 and the specific requirements relating to going concern. This agenda decision, in particular, is intended to help with concerns described in paragraph B35(b).

B37 In January 2021, the IFRS Foundation published educational material on disclosures relating to going concern, which explains the requirements in IFRS Standards relevant for going-concern assessments.[30]

Indicative size of the project

B38 To address these concerns, the Board could:

(a) develop enhanced requirements on how management should assess whether the going-concern basis of preparation is appropriate (likely to be a *medium-sized* project);

(b) develop enhanced specific disclosure requirements about the going concern assumption (likely to be a *medium-sized* project);

(c) develop requirements to specify the basis of accounting that applies when an entity is no longer a going concern (likely to be a *large* project); or

(d) address the issues collectively in a single project (likely to be a *large* project).

B39 Some national standard-setters have already worked on or are working on questions relating to going concern and such work could inform the Board's work.

Government grants

B40 Some stakeholders, most of them standard-setters, questioned aspects of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* relating to:

(a) the recognition criteria for government grants in the statement of profit or loss, including the timing of recognition of income from government grants. Stakeholders noted that IAS 20 is based on reasonable assurance and matching of costs with income rather than satisfaction of performance obligations identified in a grant. They also

28 See *IAS 1* Presentation of Financial Statements—*Going concern disclosure*, published in July 2010: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-1-going-concern-disclosure-july-2010.pdf.

29 See *Disclosure requirements relating to assessment of going concern (IAS 1* Presentation of Financial Statements*)*: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-1-disclosure-requirements-relating-to-assessment-of-going-concern-jul-14.pdf.

30 See *Going concern—a focus on disclosure*: https://cdn.ifrs.org/-/media/feature/news/2021/going-concern-jan2021.pdf?la=en.

said that matching of costs with income is not an objective of the *Conceptual Framework*.

(b) the diversity in the recognition and measurement of particular types of government grants that are in the form of non-monetary assets.

(c) the accounting policy choice permitted when grants are related to assets. The Standard says that such grants should be recognised as deferred income or by deducting the grant to arrive at the carrying amount of the asset. The existence of an accounting policy choice reduces comparability.

(d) the accounting policy choice permitted when grants are related to income. The Standard says such grants should be presented as income (either separately or within other income) or deducted from the related expense. The existence of an accounting policy choice reduces comparability.

(e) the deduction of a government grant from the cost of an asset, which is inconsistent with some other IFRS Standards. For example, IAS 7 *Statement of Cash Flows* requires companies to present the purchase of assets and the receipt of related grants on a gross basis. Stakeholders noted that in May 2020 the Board issued amendments to IAS 16 *Property, Plant and Equipment*. These amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.

Indicative size of the project

B41 A project with the objective of addressing all the concerns raised is likely to be a *medium-sized* project.

B42 Some national standard-setters have already conducted work on government grants, which could inform the Board's work.

Income taxes

B43 Some stakeholders, most of them preparers and investors, questioned the usefulness of information when a company applies IAS 12 *Income Taxes*. These stakeholders said:

(a) the Standard includes several exceptions, which may undermine the principles on which the Standard is based.

(b) the balance-sheet approach to deferred taxes used in IAS 12 might not provide useful information and deferred tax liabilities might not meet the revised definition of a liability in the *Conceptual Framework*.

(c) the Standard lacks specific requirements about how to account for emerging types of taxes.

(d) the Board should enhance disclosures to help investors better understand a company's income tax charge and potential effects on future cash flows. Investors said the Board should develop better disclosures to facilitate the reconciliation of deferred, current and paid tax. Investors also suggested that the Board develop more effective disclosures about a company's tax optimisation structures to help investors understand the nature of such tax structures, which countries may be involved, what risks exist and the sustainability of such tax structures.

(e) views vary about how consistent the assumptions used in the assessment of the recoverability of deferred tax assets should be with those used for impairment testing or going-concern assessments.

Indicative size of the project

B44 To address these concerns, the Board could:

(a) develop educational materials, as part of its maintenance and consistent application activities;[31]

(b) develop accounting requirements for emerging types of taxes (likely to be a *small* project);

(c) develop enhanced disclosures about income taxes (likely to be a *medium-sized* project); or

(d) undertake a comprehensive review of income tax accounting (likely to be a *large* project).

B45 Some national standard-setters and other professional bodies have already conducted research in this area, which could inform the Board's work. The Board could also build on its previous research into the causes of problems that arise in applying IAS 12.

Inflation

B46 Some stakeholders said that information prepared in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* could be more useful. Specifically, they said:

(a) the scope of IAS 29 should be extended to include economies experiencing high inflation, because long periods of high inflation can affect the relevance of the information included in the financial statements;

(b) the Standard relies on a general price index, which may not be reliable or available; and

(c) restated financial statements of a foreign operation in a hyperinflationary environment are difficult to understand.

31 See footnote 16 to paragraph B15.

Indicative size of the project

B47 To address these concerns, the Board could:

(a) assess whether, without amending other requirements of IAS 29, it could extend the scope of IAS 29 to include economies subject to high inflation (likely to be a *small* project).

(b) undertake a comprehensive review of IAS 29 (likely to be a *large* project). Some stakeholders suggested that the Board could reduce the size of this project by basing any new requirements on the US GAAP requirements. US GAAP requires prospective use of the group presentation currency as the functional currency of the foreign operation that is operating in a hyperinflationary economy, rather than the retrospective indexation required by IAS 29 to reflect purchasing power.

B48 Some national standard-setters have conducted research in this area, which could inform the Board's work.

Intangible assets

B49 Many stakeholders noted that IAS 38 covers a variety of transactions and assets, many of which were not envisaged when the Standard was developed. These stakeholders said:

(a) IAS 38 may not provide useful information about some new types of transactions and assets, including intangible assets that are held for investment purposes or traded—for example, cryptocurrencies discussed in paragraphs B14–B16 or emission rights discussed in paragraphs B68–B71. Stakeholders said the scope of IAS 38 captures assets that would be better addressed within the scope of another IFRS Standard.

(b) the Standard may be too restrictive about when internally generated intangible assets can be recognised and when subsequent measurement of intangible assets at fair value is permitted. With economies becoming knowledge based, resources such as brands, efficient business processes and big data are playing a greater role than before in creating value. Therefore, stakeholders said that these restrictions result in financial statements that may omit relevant information.

(c) the difference in how internally generated intangible assets and some intangible assets recognised as part of an acquisition are treated makes comparisons between companies that grow organically and those that grow through acquisitions more difficult. However, some stakeholders said that recognising more internally generated intangible assets would give rise to operational difficulties and uncertainties associated with measurement. They said the benefits of reporting that information may not justify the subjectivity involved and costs incurred to provide such information.

(d) disclosures about expenditures on intangible resources that are not recognised as assets may provide insufficient useful information.[32]

B50 One possible solution to the difference in accounting between acquired and internally generated intangible assets could be to reconsider the requirements in IFRS 3 *Business Combinations* on the recognition of some acquired intangible assets separately from goodwill. The Board began exploring this solution as part of its project on Goodwill and Impairment. However, feedback led the Board to tentatively decide not to develop these proposals as part of that project.[33]

B51 As part of its project to revise IFRS Practice Statement 1 *Management Commentary*, the Board is proposing that management commentary provide information about key resources, including intangibles not recognised as assets in the company's financial statements.[34] However, a company that prepares its financial statements in accordance with IFRS Standards is not required to comply with the Practice Statement.

Indicative size of the project

B52 To address the concerns raised, the Board could:

(a) require improved disclosures about intangibles not recognised as assets (likely to be a *medium-sized* project);

(b) require disclosures about the fair value of some intangible assets, especially those held for investment (likely to be a *medium-sized* project); or

(c) undertake a comprehensive review of the Standard, including the definition of intangible assets (likely to be a *large* project).

B53 National standard-setters and other professional bodies have already conducted research in this area, which could inform the Board's work.

Interim financial reporting

B54 IAS 34 *Interim Financial Reporting* sets out the reporting requirements in interim financial statements. Some stakeholders said:

(a) IAS 34 states that the principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements. However, IAS 34 also states that the frequency of reporting should not affect the measurement of a company's annual results—to achieve that objective, measurements for interim reporting

32 The Trustees of the IFRS Foundation are considering separately whether to establish a new board to set sustainability reporting standards (see paragraphs 3–5). A potential project on intangible assets may involve coordination with the sustainability standards board if established by the Trustees.

33 See paragraph 5.24 of the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment:* https://cdn.ifrs.org/-/media/project/goodwill-and-impairment/goodwill-and-impairment-dp-march-2020.pdf#page=99.

34 For more information on the Management Commentary project, see: https://www.ifrs.org/projects/work-plan/management-commentary/.

purposes are required to be made on a year-to-date basis. These requirements have created tensions with the requirements in other Standards—for example, stakeholders are unclear whether the defined benefit obligation of a defined benefit pension plan is required to be remeasured at each interim date.

(b) the interim financial report is intended to provide an update on the latest complete set of annual financial statements. However, stakeholders said they do not know what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment. For example, some stakeholders said when they first applied IFRS 16 *Leases*, they thought they were required to repeat transition disclosures in each of their quarterly financial statements.

(c) IAS 34 requires a company to provide in its interim financial statements an explanation of events and transactions that are significant for an understanding of the changes in financial position and performance of the company since the end of the last annual reporting period. However, some stakeholders said that information disclosed by companies—for example, in the challenging and highly uncertain economic environment caused by the covid-19 pandemic—may be insufficient.

Indicative size of the project

B55 To address these concerns, the Board could:

(a) develop enhanced disclosure requirements to provide an update on the latest complete set of annual financial statements (likely to be a *small* project);

(b) clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment (likely to be a *small* project);

(c) address interim accounting issues in each new IFRS Standard or major amendment as it is developed rather than relying on IAS 34 (likely to be a series of *small* or *medium-sized* additions to every project); or

(d) review the requirements of IAS 34 to address all the concerns raised (likely to be a *large* project).

Negative interest rates

B56 Changes in the macroeconomic environment and the introduction of negative interest rates by some central banks have created practical challenges for some companies.

B57 Some stakeholders said discounting future cash flows using negative interest rates produces difficult-to-understand results that, in their view, may not faithfully represent the company's performance. Those stakeholders noted that discounting an asset or a liability with a negative discount rate will result in a present value that is higher than the amount that will be received for the asset or the amount required to settle the liability. Stakeholders raised concerns about the lack of specific requirements for negative interest rates.

B58 The Committee has discussed the implications of negative effective interest rates for the presentation of income and expenses in the statement or profit or loss. The Committee noted that interest resulting from a negative effective interest rate on a financial asset does not meet the definition of interest revenue, because it reflects a gross outflow, instead of a gross inflow, of economic benefits. Consequently, the expense arising on a financial asset because of a negative effective interest rate should not be presented as interest revenue; instead it should be presented in an appropriate expense classification.[35]

Indicative size of the project

B59 A project to develop specific accounting requirements for negative interest rates is likely to be a *medium-sized* project.

Operating segments

B60 During outreach for this Request for Information, some investors said that the requirement for segment disclosures based on a management approach is generally useful because it reflects how management views the business, provides insights into how the business is run and provides information that allows investors to assess how efficiently and effectively management has discharged its responsibilities. However, some investors expressed concerns about the information disclosed applying IFRS 8 *Operating Segments*. Those investors said:

(a) a potential project should consider improvements to the criteria for aggregating operating segments into reportable segments. The investors suggested that the reliance on management judgement results in insufficient disaggregation.

(b) repeated changes to the composition of reportable segments affect comparability between periods for a reporting company.

(c) the Board should require disclosure of additional line items by segment. These lines could include revenue, assets, equity, capital expenditures, business combinations, non-current assets held for sale and discontinued operations. These additional disclosures should be required regardless of whether the information is regularly provided to the chief operating decision maker. IFRS 8 previously required disclosure of segment assets regardless of whether they were regularly provided to the chief operating decision maker. The Board removed that requirement because such information is unavailable in some industries with low use of physical assets and to converge with practice under US GAAP.

35 See: https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-39-ias-1-january-2015.pdf.

(d) the Board should develop requirements for disclosure of a minimum set of key performance indicators by segment to allow basic analysis—for example, margins, turnovers and returns.

Indicative size of the project

B61 The input from investors suggests that targeted improvements to the segment aggregation criteria and enhanced disclosures may provide investors with more decision-useful information (likely to be a *medium-sized* project).

B62 A national standard-setter has undertaken a project in this area, which could inform the Board's work. The Board could also build on its previous work on proposed improvements to IFRS 8 and IAS 34 arising from the post-implementation review of IFRS 8.

Other comprehensive income

B63 Some stakeholders noted that the *Conceptual Framework* sets out the principles for classification of income and expenses in the statement of financial performance and their reclassification from other comprehensive income to the statement of profit or loss (recycling). Income or expenses are classified outside the statement of profit or loss, in other comprehensive income, when doing so would result in the statement of profit or loss providing more relevant information, or providing a more faithful representation of the company's financial performance for the period.[36] Some stakeholders raised concerns that the use of other comprehensive income and recycling appears to be inconsistent in IFRS Standards. Some IFRS Standards require recycling—for example:

(a) IAS 21 requires the recycling of gains and losses arising from translating the financial statements of a foreign operation; and

(b) paragraph 4.1.2A of IFRS 9 requires recycling of gains and losses on financial assets measured at fair value through other comprehensive income.

B64 Other IFRS Standards prohibit recycling—for example:

(a) recycling of a revaluation surplus is prohibited applying the revaluation model in IAS 16 or IAS 38;

(b) IAS 19 prohibits the recycling of actuarial gains and losses arising from defined benefit plans;

(c) paragraph 5.7.5 of IFRS 9 prohibits the recycling of gains and losses from investments in equity instruments designated at fair value through other comprehensive income; and

(d) paragraph 5.7.7(a) of IFRS 9 prohibits the recycling of changes in the fair value of financial liabilities attributable to a company's own credit risk.

36 See paragraphs 7.14 to 7.19 of the *Conceptual Framework*.

B65 Some stakeholders suggested that all IFRS Standards be reviewed for consistency with the principles set out in the *Conceptual Framework*; that review should also include reconsidering the requirements for income and expenses that are not subsequently recycled. The Board is conducting a post-implementation review of the classification and measurement requirements in IFRS 9, which will (among other matters) gather views on the treatment of fair value changes presented in other comprehensive income for some equity investments.

Indicative size of the project

B66 Applying the principles for the classification of income and expenses in other comprehensive income (and recycling) in the *Conceptual Framework* to IFRS Standards and considering whether to amend the requirements of those IFRS Standards is likely to be a *large* project.

B67 Some professional bodies have already considered some of these concerns. Their conclusions could inform the Board's work.

Pollutant pricing mechanisms

B68 To encourage a reduction in the production of greenhouse gases, governments have been developing pollutant pricing mechanisms—for example, emission trading schemes. Some stakeholders, including investors, said that the lack of accounting requirements in IFRS Standards for these mechanisms has led to diversity in practice in reporting their effects on companies.

B69 Emission trading schemes create tradeable emission allowances. One common form of emission trading schemes is a cap-and-trade scheme.[37] Comments from stakeholders included concerns about how companies:

(a) recognise and initially measure emission allowances received from the scheme administrator for nil or nominal consideration;

(b) subsequently measure emission allowances held, including both those held to cover past or future emissions of pollutants and those held for investment purposes;

(c) recognise and measure a liability to remit emission allowances to cover pollutants already emitted, including deciding:

   (i) whether a liability exists and when to recognise it; and

   (ii) how to measure the liability;

(d) present assets, liabilities, income and expenses resulting from pollutant pricing mechanisms; and

(e) disclose information about pollutant pricing mechanisms.

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37 A cap-and-trade scheme sets an overall cap on the amount of pollutants that can be emitted in a specified period. This overall cap is then allocated across participants (emitters) by distributing or selling emission allowances. Emitters must remit allowances to cover pollutants emitted. They can sell surplus allowances and must either buy allowances or pay penalties if they have too few allowances to cover pollutants emitted within the specified period.

Indicative size of the project

B70 The Board researched pollutant pricing mechanisms in previous projects and it could resume its previous discussions. The Board would need to decide whether to address all types of pollutant pricing mechanisms, or only some, such as emission trading schemes. The Board may also need to consider other schemes that have been developed since its previous discussions and whether to include in the scope of any project accounting by traders and scheme administrators. Therefore, the development of accounting requirements for various types of pollutant pricing mechanisms is likely to be a *large* project.[38]

B71 Guidance developed by national standard-setters could inform the Board's work.

Separate financial statements

B72 The laws or regulations of some jurisdictions require companies to publish separate financial statements applying IAS 27 *Separate Financial Statements*. These separate financial statements may be useful to investors.[39] They may also be useful to others interested in financial statements—separate financial statements may, for example, be used as a starting point for determining permissible dividends or for tax calculations under local laws or regulations.

B73 Some stakeholders said the Board should:

(a) clarify or change the application of IFRS Standards for specific transactions in separate financial statements. Stakeholders' views in this respect are influenced by their view on who the primary users of separate financial statements are or should be. In some cases the views are also influenced by differences in cost-benefit considerations for separate financial statements. Some stakeholders requested reviews of:

(i) the accounting for contingent consideration and transaction costs related to the acquisition of investments in a subsidiary, joint venture or associate;[40]

(ii) the application of the expected credit loss model in IFRS 9 to intra-group loans in a situation when, for example, the parent controls the flow of funds, the repayment is discretionary, or the transaction is viewed as a potential capital contribution from the parent;

(iii) the application of hedge accounting—for example, when one company holds the hedged item and another company within the same group holds the hedging instrument;

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38 Emission allowances held solely for investment purposes could be covered by a Standard described in paragraphs B13(c) and B15(d).

39 See footnote 4 to Table 1 on page 12.

40 Variable and contingent consideration is described in paragraphs B80–B83.

(iv) the accounting for the effects of some transactions between the parent and its subsidiaries when the transaction is not on market terms; and

(v) the accounting for business combinations under common control in the receiving company's separate financial statements.[41]

(b) add disclosure requirements in separate financial statements—for example, about distributable profits and intra-group guarantees.

Indicative size of the project

B74 To address these concerns in the context of general purpose financial statements, the Board could:

(a) develop more disclosure requirements in separate financial statements (likely to be a *small* project);

(b) address some of the specific application questions separately (likely to be a series of *small* projects or a *medium-sized* project); or

(c) undertake a comprehensive review of IAS 27 (likely to be a *large* project).

B75 Some national standard-setters and other professional bodies have considered some of the issues raised and their experience could inform the Board's work.

Statement of cash flows and related matters

B76 Many stakeholders—most of them investors, preparers and standard-setters—suggested the Board undertake a project to amend or replace IAS 7. These stakeholders said:

(a) they have difficulty reconciling the statement of cash flows to the other primary financial statements. They have particular difficulty in reconciling the statement of financial position to the statement of cash flows because of the effect of non-cash movements arising from transactions such as leases, supply chain financing arrangements (for example, reverse factoring) and the factoring of trade receivables. These stakeholders suggested companies either present these non-cash movements in the statement of cash flows or make better disclosures about these non-cash movements.

(b) companies should be required to present a statement of changes in net debt.[42]

41 The Board's research project on Business Combinations under Common Control does not address the reporting of these transactions in the receiving company's separate financial statements.

42 The Board has considered this issue in the past (see paragraphs BC9–BC27 of the Basis for Conclusions on IAS 7 *Statement of Cash Flows*) and amended IAS 7 to add a requirement to disclose information about changes in liabilities arising from financing activities (see paragraphs 44A–44E of IAS 7).

(c) the Board should revisit the classification of cash flows into operating, investing and financing categories.

(d) the Board should standardise the definition of some commonly used cash flow measures, such as free cash flows.

(e) some information presented in the statement of cash flows should be disaggregated—for example, net cash flows attributable to the operating, investing and financing activities of discontinued operations.

(f) the Board should develop better disclosure requirements about operating expenses and capital expenditure, split into maintenance, growth and acquisition spend.

(g) the Board should either remove the requirement to present a statement of cash flows for financial institutions or develop a statement of cash flows specifically for financial institutions.

B77 The Exposure Draft *General Presentation and Disclosures* proposes amendments to IAS 7.[43] However, these are only targeted improvements to a few areas and, consequently, are unlikely to address many concerns raised by stakeholders.

Indicative size of the project

B78 To address the concerns about IAS 7, the Board could:

(a) develop more effective disclosures about the ongoing maintenance expenses and the growth spend (likely to be a *small* project);

(b) consider whether to remove the requirement for financial institutions to produce a statement of cash flows (likely to be a *small* project);

(c) undertake a targeted project to improve aspects of IAS 7, including providing information about non-cash movements (likely to be a *medium-sized* project);

(d) seek to develop a statement of cash flows for financial institutions (likely to be a *medium-sized* project); or

(e) undertake a comprehensive review of IAS 7 with the intention of replacing it with a new IFRS Standard (likely to be a *large* project).

B79 Some national standard-setters and other professional bodies have considered some of the issues raised and their experience could inform the Board's work.

Variable and contingent consideration

B80 In some transactions, the consideration paid or received is not fixed but may vary after the transaction date. Such transactions are commonly used to share risks and benefits between the seller and the buyer. Examples of transactions that may feature variable or contingent consideration include business

43 For more information on the Primary Financial Statements project, see: https://www.ifrs.org/projects/work-plan/primary-financial-statements/.

combinations, leases, sales of goods and renderings of services, purchases and sales of tangible and intangible assets and service concession arrangements. Stakeholders reported diversity in practice in the accounting for such transactions, particularly for those transactions for which the applicable IFRS Standards provide limited specific requirements.

B81 In the past, the Committee discussed several issues relating to variable or contingent consideration.[44] The Committee debated:

(a) the initial accounting—when should a liability be recognised for a payment of variable or contingent consideration, at what amount, and should part or all that amount be reflected in the measurement of the asset acquired?

(b) the subsequent accounting—after the liability is recognised, do remeasurements of the liability result in revisions to the measurement of the asset acquired or should those remeasurements be reported as income or an expense in the statement of profit or loss?

Indicative size of the project

B82 To address these concerns, the Board could:

(a) consider whether IAS 16, IAS 38 and IFRIC 12 *Service Concession Arrangements* should be amended. These Standards have limited requirements on accounting for transactions that frequently involve variable or contingent consideration (likely to be a *medium-sized* project); or

(b) develop a consistent approach to reporting variable and contingent consideration for all IFRS Standards (likely to be a *large* project).

B83 Some national standard-setters and other professional bodies have conducted or are conducting research on variable and contingent consideration, which could inform the Board's work.

44 For example, in March 2016 the Committee decided that the accounting for payments to be made for the purchase of an item of property, plant and equipment or an intangible asset that is not part of a business combination is too broad for the Committee to address within the confines of IFRS Standards. In July 2016, the Committee concluded that addressing how an operator accounts for variable payments that it makes to a grantor when the intangible asset model in IFRIC 12 *Service Concession Arrangements* applies is too broad for the Committee to address within the confines of IFRS Standards.

Appendix C—Other financial reporting issues suggested to the Board

C1 This appendix lists financial reporting issues suggested to the Board by a small number of stakeholders in the outreach carried out before publishing this Request for Information. These issues are not described in detail.

C2 These other suggestions are that the Board:

(a) align the definition of cost in IFRS Standards;

(b) clarify the accounting for transactions with owners (including government owners) acting in their capacity as owners;

(c) converge IFRS 13 *Fair Value Measurement* with International Valuation Standards;

(d) develop accounting requirements for assets acquired at no cost (from related and third parties);

(e) develop enhanced disclosures about the process used in determining materiality, including quantitative thresholds applied;

(f) develop standardised disclosure of financial ratios with numerators and denominators based on line items presented in the primary financial statements;

(g) review the accounting for shares bought back to replace shares granted in share-based payment transactions;

(h) review the requirements of IAS 33 *Earnings per Share* in the light of changes to the business environment and the *Conceptual Framework for Financial Reporting*;

(i) review the requirements of IAS 36 *Impairment of Assets*; and

(j) review the requirements of IAS 41 *Agriculture*, focusing on immature biological assets that cannot be sold in their current condition.